COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

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MARK J. SALADINO
TREASURER AND TAX COLLECTOR

June 14, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mark J. Saladino
Treasurer and Tax Collector

SUBJECT: SALE OF 2010-11 TAX AND REVENUE ANTICIPATION NOTES

This memorandum is to advise you that my office sold $1.5 billion in tax and revenue anticipation notes (the "Notes") on Friday, June 11th at a 2.0% coupon rate and a yield of 0.85%. The issuance of the 2010-11 Notes was authorized by your Board on May 18, 2010 as a necessary component of the County's cash management program. The borrowing amount of $1.5 billion represents the County's largest short-term note financing since Fiscal Year 1993-94.

In connection with the sale of the 2010-11 Notes, the County received the highest short-term ratings from each of the three major credit rating agencies. Fitch Ratings, Moody's Investors Service, and Standard and Poor's assigned ratings of F1+, MIG 1, and SP-1+, respectively, to the 2010-11 Notes. Each of these three credit rating agencies cited the County's fiscal discipline and conservative management practices as positive factors in making their ratings determinations.

The pricing of the 2010-11 Notes was accomplished in a market environment that has become increasingly cautious regarding municipal issuers in California. Several key institutional investors, including the two largest purchasers of the County's 2009-10 Notes, denied the County's credit and elected not to participate in this year's sale. The loss of these investors had a significant impact on the pricing of the 2010-11 Notes and served to increase the yield above last year's rate of 0.80%.

The inability to receive credit approval from certain institutional investors was a direct result of the County's deteriorating cash position. Since June 30, 2007, the County's General Fund cash balance has declined by approximately $1.5 billion. Investors expressed growing concern that General Fund expenditures continue to exceed receipts and that the County remains highly dependent on the State for the funding of its health care system. Investors are also wary of the State's fiscal situation and the potential cash flow impact that could result from program cuts, deferrals, and continued delays in payments to County hospitals.

To the extent that the County's cash flow position worsens in the upcoming fiscal year, issuing tax and revenue anticipation notes for 2011-12 could be significantly more challenging. If you have any questions regarding the sale of the 2010-11 Notes, please contact me directly or have your staff contact Glenn Byers of my office at 974-7175.

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c: Executive Officer, Board of Supervisors
Chief Executive Officer
Auditor-Controller
County Counsel